

## EXHIBIT A

## **WRG Asbestos PI Trust**

**Audited Special-Purpose Financial Statements  
with Supplementary Information  
Years Ended December 31, 2018 and 2017**

## **WRG Asbestos PI Trust**

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Audited Special-Purpose Financial Statements  
with Supplementary Information  
Years Ended December 31, 2018 and 2017

## **WRG Asbestos PI Trust**

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## **Independent Auditor's Report**

Trustees  
WRG Asbestos PI Trust  
Wilmington, Delaware

We have audited the accompanying special-purpose financial statements of WRG Asbestos PI Trust (the Trust) (a statutory Trust created under the laws of the State of Delaware), which comprise the special-purpose statements of assets, liabilities, and net assets available for the payment of claims as of December 31, 2018 and 2017, and the related special-purpose statements of changes in net assets available for the payment of claims and the special-purpose statements of cash flows for the years then ended, and the related notes to the special-purpose financial statements.

### ***Management's Responsibility for the Special-Purpose Financial Statements***

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of WRG Asbestos PI Trust as of December 31, 2018 and 2017, and the additions, deductions and cash flows for the years then ended, in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

***Basis of Accounting***

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available to fund current and future claimants.

***Restriction of Use***

Our report is intended solely for the information and use of the management of the Trust and is not intended to be and should not be used by anyone other than the specified party. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the District of Delaware, is a matter of public record.

*BDO USA LLP*

McLean, Virginia  
April 22, 2019

## **Special-Purpose Financial Statements**

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**WRG Asbestos PI Trust****Special-Purpose Statements of Assets, Liabilities, and Net Assets Available  
for the Payment of Claims**

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 72,647,511	\$ 112,457,471
Investments, at fair value		
Bonds	2,349,065,816	2,376,358,778
Equity securities	217,886,429	264,925,417
Alternative investments	236,708,740	274,030,642
Interest receivable	25,774,142	24,478,930
Income taxes receivable	-	3,648,080
<b>Total assets</b>	<b>2,902,082,638</b>	<b>3,055,899,318</b>
<b>Liabilities</b>		
Accrued expenses and accounts payable	1,476,261	1,057,397
Settled but unpaid claims	8,175,757	1,964,755
<b>Total liabilities</b>	<b>9,652,018</b>	<b>3,022,152</b>
<b>Net assets available for the payment of claims</b>	<b>\$ 2,892,430,620</b>	<b>\$ 3,052,877,166</b>

*See accompanying notes to the special-purpose financial statements.*



**WRG Asbestos PI Trust****Special-Purpose Statements of Changes in Net Assets Available  
for the Payment of Claims**

<i>Years Ended December 31,</i>	2018	2017
<b>Additions</b>		
Insurance recoveries	\$ 47,134,113	\$ 50,788,663
Interest and dividend income	58,554,458	52,038,308
Federal income tax refunds, net of expense	-	318,080
Net appreciation in fair value of investments	-	77,785,388
Net appreciation in fair value of alternative investments	-	33,220,654
<b>Total additions</b>	<b>105,688,571</b>	<b>214,151,093</b>
<b>Deductions</b>		
Net depreciation in fair value of investments	40,225,625	-
Net depreciation in fair value of alternative investments	18,519,438	-
Personal injury claims expenses	188,467,829	144,685,735
Operating expenses	9,122,944	9,233,600
Federal income tax expense, net of refunds	6,200,000	-
Claims processing expenses	3,599,281	2,372,308
<b>Total deductions</b>	<b>266,135,117</b>	<b>156,291,643</b>
<b>(Decrease) increase in net assets available for the payment of claims</b>	<b>(160,446,546)</b>	<b>57,859,450</b>
<b>Net assets available for the payment of claims</b>		
Beginning of the year	3,052,877,166	2,995,017,716
End of the year	\$ 2,892,430,620	\$ 3,052,877,166

*See accompanying notes to the special-purpose financial statements.*

**WRG Asbestos PI Trust****Special-Purpose Statements of Cash Flows**

<i>Years Ended December 31,</i>	2018	2017
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets available for the payment of claims	\$ (160,446,546)	\$ 57,859,450
Adjustments to reconcile (decrease) increase in net assets available for the payment of claims to net cash used in operating activities:		
Depreciation (appreciation) in fair value of investment securities	40,225,625	(77,785,388)
Depreciation (appreciation) in fair value of alternative investments, net	18,519,438	(33,220,654)
Amortization of premiums on bonds, net	44,463,177	51,391,191
Changes in operating assets and liabilities		
Interest receivable	(1,295,212)	2,200,261
Income taxes receivable	3,648,080	(3,648,080)
Accrued expenses and accounts payable	418,864	(768,656)
Settled but unpaid claims	6,211,002	(4,875,712)
Other assets	-	15,153
<b>Total adjustments</b>	<b>112,190,974</b>	<b>(66,691,885)</b>
<b>Net cash used in operating activities</b>	<b>(48,255,572)</b>	<b>(8,832,435)</b>
<b>Cash flows from investing activities:</b>		
Sales and maturities of bonds	760,371,691	1,144,696,422
Purchases of bonds	(794,844,242)	(1,127,664,009)
Sales of equity securities	70,878,784	40,821,496
Purchases of equity securities	(46,763,085)	(47,691,734)
Liquidations / distributions of alternative investments	18,802,464	4,364,588
<b>Net cash provided by investing activities</b>	<b>8,445,612</b>	<b>14,526,763</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(39,809,960)</b>	<b>5,694,328</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>112,457,471</b>	<b>106,763,143</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 72,647,511</b>	<b>\$ 112,457,471</b>

*See accompanying notes to the special-purpose financial statements.*

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

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#### 1. Description of the Trust

On April 2, 2001, W.R. Grace & Co. (WRG) and 61 of its United States subsidiaries and affiliates including W. R. Grace & Co.-Conn., A-1 Bit & Tool Co., Inc., Alewife Boston Ltd., Alewife Land Corporation, Amicon, Inc., CB Biomedical, Inc. (f/k/a Circe Biomedical, Inc.), CCHP, Inc., Coalgrace, Inc., Coalgrace II, Inc., Creative Food 'N Fun Company, Darex Puerto Rico, Inc., Del Taco Restaurants, Inc., Dewey and Almy, LLC (f/k/a Dewey and Almy Company), Ecarg, Inc., Five Alewife Boston Ltd., G C Limited Partners I, Inc. (f/k/a Grace Cocoa Limited Partners I, Inc.), G C Management, Inc. (f/k/a Grace Cocoa Management, Inc.), GEC Management Corporation, GN Holdings, Inc., GPC Thomasville Corp., Gloucester New Communities Company, Inc., Grace A-B Inc., Grace A-B II Inc., Grace Chemical Company of Cuba, Grace Culinary Systems, Inc., Grace Drilling Company, Grace Energy Corporation, Grace Environmental, Inc., Grace Europe, Inc., Grace H-G Inc., Grace H-G II Inc., Grace Hotel Services Corporation, Grace International Holdings, Inc. (f/k/a Dearborn International Holdings, Inc.), Grace Offshore Company, Grace PAR Corporation, Grace Petroleum Libya Incorporated, Grace Tarpon Investors, Inc., Grace Ventures Corp., Grace Washington, Inc., W. R. Grace Capital Corporation, W. R. Grace Land Corporation, Gracoal, Inc., Gracoal II, Inc., Guanica Caribe Land Development Corporation, Hanover Square Corporation, Romeo International, Inc., Kootenai Development Company, L B Realty, Inc., Litigation Management, Inc. (f/k/a GHSC Holding, Inc.), Grace NH, Inc., Asbestos Management, Inc.), Monolith Enterprises, Incorporated, Monroe Street, Inc., MRA Holdings Corp. (f/k/a Nestor-BNA Holdings Corporation), MRA Intermedco, Inc. (f/k/a Nestor-BNA, Inc.), MRA Staffing Systems, Inc. (f/k/a British Nursing Association, Inc.), Remedium Group, Inc. (f/k/a Environmental Liability Management, Inc.), E&C Liquidating Corp., Emerson & Cuming, Inc.), Southern Oil, Resin & Fiberglass, Inc., Water Street Corporation, Axial Basin Ranch Company, CC Partners (f/k/a Cross Country Staffing), Hayden-Gulch West Coal Company, and H-G Coal Company (collectively, the Debtors) voluntarily filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court). On January 31, 2011, the Bankruptcy Court entered an order (the Confirmation Order) confirming the modified joint plan of reorganization (the Confirmed Plan) proposed and filed by the Debtors and supported by the Asbestos Personal Injury Committee, the Legal Representative, representing the interests of future asbestos bodily injury claimants, and the Creditors Committee. On January 30, 2012, the United States District Court for the District of Delaware adopted, issued and affirmed the Confirmation Order. The Confirmation Order has become final and cannot be appealed. The Confirmed Plan became effective on February 3, 2014 (the Effective Date or the Effective Date of the Plan of Reorganization).

The essential elements of the Confirmed Plan include, among other things: the creation of the WRG Asbestos PI Trust (the Trust) to assume all liabilities and obligations for all Asbestos PI Claims (as defined in the Confirmed Plan) (Asbestos PI Trust Claims) and to use the Trust assets and income to pay the holders of all Asbestos PI Trust Claims in accordance with the Trust Agreement and the Trust Distribution Procedures (TDP) in such a way that such holders of Asbestos PI Trust Claims are treated fairly, equitably and reasonably in light of the limited assets available to satisfy such claims, and to otherwise comply in all respects with the requirements of a trust set forth in section 524(g)(2)(B) of the Bankruptcy Code.

The Trustees are responsible for supervising and administering the Trust and the use of the Trust's assets and income to pay the holders of all Asbestos PI Trust Claims in accordance with the terms of and the purposes set forth in the Trust Agreement and the TDP.

**WRG Asbestos PI Trust****Notes to the Special-Purpose Financial Statements**

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**2. Summary of Significant Accounting Policies*****Basis of presentation***

The Trust's special-purpose financial statements are prepared using special-purpose accounting methods adopted by the Trust, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and the related operating expenses of the Trust. Since the accompanying special-purpose financial statements are not based upon GAAP, the accounting treatment by other parties for these same transactions may differ as to timing and amount. The special-purpose accounting methods include the following:

- Assets are generally recorded when they are received by the Trust and are available for the payment of asbestos claims.
- Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions from net assets available for the payment of claims in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.
- The full amounts of claims are expensed in the period in which the confirmed claims are settled. A settled claim is a claim that has been allowed by the Trust and accepted by the claimant, with an approved release. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust. There were settled but unpaid claims of \$8,175,757 and \$1,964,755 as of December 31, 2018 and 2017, respectively. Total claims paid during the years ended December 31, 2018 and 2017, aggregated \$182,256,827 and \$145,454,391, respectively.
- Payments for services to be received over an extended period in the future are expensed as paid because these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.
- Payments for property and equipment are expensed as incurred. Under GAAP, payments for property and equipment are capitalized and depreciated over the useful lives of the assets. To date, the Trust has incurred no expenses related to purchases of property and equipment.
- Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Under GAAP, the provision for income taxes is recorded based upon income reported for special-purpose financial statement purposes, and federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Under GAAP, deferred taxes include a provision for taxes attributable to changes in unrealized gains and losses on investments.

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

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- Asbestos insurance recoveries are not recorded until the funds are received from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by WRG and related entities including Debtors and other affiliates and assigned to the Trust. The insurance policies cover, among other things, products and general liability claims. Future recoveries under such settlements have been assigned to the Trust pursuant to the Confirmed Plan. Under GAAP, asbestos insurance recoveries are recorded upon settlement and assurance of collectability.
- Under GAAP, for financial statement disclosure purposes all investments would be categorized based on the priority of inputs used to measure fair value. Under GAAP, inputs used in measuring fair value are categorized into three levels. Level 1 includes inputs that are based upon quoted prices for identical instruments traded in active markets. Level 2 includes inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. Level 3 includes inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The accompanying special-purpose financial statements do not categorize investments into these levels.

#### *Use of estimates*

The preparation of special-purpose financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosures of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to the net assets available for the payment of claims during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on the net assets available for the payment of claims.

#### *Cash equivalents*

The Trust considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

#### *Investments*

Investment securities are stated at fair market value. Fair market value for investment securities, other than alternative investments, are based on quoted market prices for identical or similar instruments traded in active markets as of the date of the special-purpose financial statements. The fair market value for alternative investments is based on the Trust's proportionate share of each fund's net assets, as reported as of the date of the special-purpose financial statements. The net appreciation or depreciation in fair market value of investments in the accompanying special-purpose statements of changes in net assets available for the payment of claims consists of realized gains or losses on sales of investments and the changes in unrealized gains or losses on investments held. Investment income is recognized when earned. All interest and dividend income, net of investment expenses, are included in interest and dividend income in the

## **WRG Asbestos PI Trust**

### **Notes to the Special-Purpose Financial Statements**

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accompanying special-purpose statements of changes in net assets available for the payment of claims. Gains and losses on sales of investment securities are determined using the average cost method.

#### ***Accrued expenses and accounts payable***

Accrued expenses and accounts payable consist of accruals and outstanding invoices associated with managing and operating the Trust.

#### ***Operating expenses***

Operating expenses of the Trust are paid from the net assets available for the payment of claims when invoices are received.

#### ***Claims processing expenses***

Claims processing expenses are paid from net assets available for the payment of claims when invoices are received.

#### ***Income taxes***

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations thereunder (the Code). As a result, the Trust is subject to federal income taxes based on modified gross income, as defined by the Code. In the opinion of the Trustees and advisors, the Trust is not subject to state income taxes and, therefore, the special-purpose financial statements do not include any provision or liability for state income taxes. The Trust is generally no longer subject to income tax examinations by the Internal Revenue Service (IRS) for the years ended December 31, 2015 and prior. Income tax expense is estimated and includes amounts payable or receivable under current federal income taxes.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 5). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial statements when the net gains are realized (i.e. the securities are sold) and the taxes become currently payable.

#### ***Reclassifications***

Certain amounts in the special-purpose financial statements for the year ended December 31, 2017, have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the previously reported change in net assets available for the payment of claims.

#### ***Risks and uncertainties***

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investments in equity securities, bonds, and alternative investments. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2018, approximate \$72 million.

The Trust invests in a professionally managed portfolio that contains common shares of publicly traded companies, U.S. and Canadian government obligations, money market funds, and alternative investments. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balance and the amounts reported in the special-purpose statements of assets, liabilities and net assets available for the payment of claims.

### 3. Related Parties

The Trust is a member in the Delaware Claims Processing Facility (DCPF), a limited liability company, under an agreement with several other Qualified Settlement Funds. The purpose of the DCPF is to operate a claims processing facility. At inception, the Trust contributed \$100 in capital to this entity.

The Trust incurred expenses related to the operation of this entity of \$3,599,281 and \$2,372,308 for the years ended December 31, 2018 and 2017, respectively. Expenses charged to the Trust related to the operation of this entity include start-up costs, direct labor expense, other direct expenses, and an allocation of common costs. The Trust owed DCPF \$295,540 and \$0 as of December 31, 2018 and 2017, respectively.

### 4. Investment Securities

Investments in bonds and equity securities consist of the following at December 31:

<i>Description</i>	2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	\$ 2,347,289,277	\$ 19,696,139	\$ (17,919,600)	\$ 2,349,065,816
Equity securities	163,603,697	60,250,918	(5,968,186)	217,886,429
	<u>\$ 2,510,892,974</u>	<u>\$ 79,947,057</u>	<u>\$ (23,887,786)</u>	<u>\$ 2,566,952,245</u>

  

<i>Description</i>	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds	\$ 2,362,783,755	\$ 30,869,804	\$ (17,294,781)	\$ 2,376,358,778
Equity securities	188,720,984	77,595,285	(1,390,852)	264,925,417
	<u>\$ 2,551,504,739</u>	<u>\$ 108,465,089</u>	<u>\$ (18,685,633)</u>	<u>\$ 2,641,284,195</u>

**WRG Asbestos PI Trust****Notes to the Special-Purpose Financial Statements**

Net (depreciation) appreciation in the fair value of investment securities of \$(40,225,625) and \$77,785,388 for the years ended December 31, 2018 and 2017, respectively, consists of the net change in unrealized (losses) gains and net realized (losses) gains from investment sales.

***Net unrealized gains and losses***

The net change in unrealized (losses) gains from market (depreciation) appreciation is comprised of the following investments securities for the years ended December 31:

	2018	2017
Bonds	\$ (11,798,484)	\$ 33,872,665
Equity securities	(21,921,701)	45,038,317
	<u>\$ (33,720,185)</u>	<u>\$ 78,910,982</u>

***Realized gains and losses***

Net realized (losses) gains from investment sales consist of the following for the years ended December 31:

	2018	2017
Bonds	\$ (5,503,852)	\$ 3,186,377
Equity securities	(1,001,588)	(4,311,971)
	<u>\$ (6,505,440)</u>	<u>\$ (1,125,594)</u>

***Summary of changes in alternative investments***

The table below sets forth a summary of changes in the fair value of the Trust's alternative investments for the years ended December 31:

	2018	2017
Balance, beginning of year	\$ 274,030,642	\$ 245,174,576
Liquidations / distributions	(18,802,464)	(4,364,588)
Net (depreciation) appreciation in fair value	(18,519,438)	33,220,654
Balance, end of year	<u>\$ 236,708,740</u>	<u>\$ 274,030,642</u>



## WRG Asbestos PI Trust

## Notes to the Special-Purpose Financial Statements

The major categories of the Trust's alternative investments, including general information related to each category, are as follows:

	Fair Value		Redemption Frequency (if Currently Eligible)	First/Next Redemption	Notice Period (days)	Gate
	2018	2017				
(a)						
Multi-strategy fund	\$ 24,944,652	\$ 25,400,768	Annually - anniversary date	September 30, 2019	45	None
Multi-strategy fund	16,135,279	17,322,287	Annually - anniversary date	June 30, 2019	44	25%
Multi-strategy fund	15,783,544	16,980,755	25% Quarterly	March 31, 2019	67	None
			Every 2 years - anniversary date			
Multi-strategy fund	15,351,534	13,520,415		June 30, 2019	90	None
	72,215,009	73,224,225				
(b)						
Long/short fund	10,387,919	11,075,500	25% Quarterly	March 31, 2019	65	None
			Annually - anniversary date			
Long/short fund	9,682,969	9,332,456		September 30, 2019	75	None
Long/short fund	354,019	9,065,072	In liquidation	N/A	N/A	N/A
Long/short fund	127,689	8,969,211	In liquidation	N/A	N/A	N/A
Long/short fund	8,100,791	8,501,204	Quarterly	March 29, 2019	45	None
	28,653,387	46,943,443				
(c)						
Credit opportunities	18,099,887	18,150,632	25% Quarterly	March 31, 2019	95	None
Credit opportunities	4,252,981	7,287,223	In liquidation	N/A	N/A	N/A
	22,352,868	25,437,855				
(d)						
International equity	45,808,524	54,807,354	Monthly	January 2, 2019	6	None
International equity	38,219,254	41,594,253	Monthly	January 31, 2019	30	None
International equity	29,459,698	32,023,512	Semi Monthly	January 15, 2019	None	None
	113,487,476	128,425,119				
	\$ 236,708,740	\$ 274,030,642				

(a) Alternative investments within this category use a variety of strategies to diversify risks and reduce volatility. These strategies include seeking capital appreciation through event-driven investments that seek to exploit situations in which announced or anticipated events create inefficiencies in the pricing of securities, investing in securities of issuers experiencing financial distress, investing in event-driven and risk arbitrage

## WRG Asbestos PI Trust

### Notes to the Special-Purpose Financial Statements

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securities, and purchasing long and selling short in publicly-traded securities and loans. Other strategies of funds in this category include investing in U.S. and non-U.S. companies' debt and equity securities, investing in event-driven situations involving litigation, regulatory or legislative changes, and global investments focused on investments with capital structure changes, spin-offs, recapitalizations, liquidations, and reorganization among other events. The fair value of the alternative investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the years ended, December 31, 2018 and 2017.

(b) Alternative investments in this category employ long and short trading strategies in various markets. More specifically, these long/short strategies include preservation and growth of capital over the long-term through investments in U.S. and international public equities of consumer related companies, and equities and equity-related securities of companies in the Western European markets. The fair value of the alternative investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the years ended December 31, 2018 and 2017.

(c) Alternative investments in this category employ strategies that seek long-term appreciation of assets through active leveraged trading and investment, primarily in North American, European, and Asian credit markets, as well as investing in a broad array of securities within the leverage finance marketplace. Investments include, but are not limited to, equity and credit market instruments, leveraged loans, high yield bonds, distressed securities, etc. The fair value of the alternative investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the years ended December 31, 2018 and 2017.

(d) Alternative investments within this category invest primarily in equity securities. The objective of these funds is to achieve maximum total return by investing primarily in equity securities of non-U.S. domiciled issuers by selecting long term portfolio securities on the basis of research and fundamental analysis, and seeking to take opportunistic advantage of market inefficiencies by trading securities with a shorter horizon, to afford participants an opportunity to obtain long-term growth primarily from a diverse portfolio of global equity securities, and to achieve an attractive long-term rate of return and to outperform the MSCI World (Net) Index over a full market cycle by investing primarily in equity securities listed on global stock exchanges. The fair value of the alternative investments in this category was estimated based on the Trust's proportionate share of each fund's net assets, as reported on the respective funds' financial statements for the years ended December 31, 2018 and 2017.

#### 5. Income Taxes

During the year ended December 31, 2017, the Trust recorded an income tax refund, net of income tax expenses, of \$318,080. The Trust recorded income tax expense, net of refunds, of \$6,200,000 for the year ended December 31, 2018.

On December 22, 2017, Congress passed the Tax Cuts and Jobs Act (the 2017 Tax Act) which reduced the income tax rate from 39.6% to 37% and modified the rules regarding the usability of certain net operating losses for the Trust beginning on January 1, 2018. Net operating loss carryforwards generated after January 1, 2018, do not expire but can only be used to offset up to 80% of taxable income in future years as part of the 2017 Tax Act. The Trust does not have any net operating loss carryforwards as of December 31, 2018. In addition, there are no net operating loss carryback provisions under the 2017 Tax Act.

As of December 31, 2018, the Trust has approximately \$6,000,000 of net capital loss carryforwards available to offset future capital gains. These net capital loss carryforwards will expire, if not utilized, on various dates through 2023. Capital loss carryforwards created after January 1, 2018, may be carried back for three years and carried forward for five years. Capital loss carrybacks and carryforwards cannot create a net operating loss.

## **WRG Asbestos PI Trust**

### **Notes to the Special-Purpose Financial Statements**

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As of December 31, 2018, the estimated deferred tax liability associated with unrealized gains on investments is approximately \$21,000,000. As of December 31, 2017, the estimated deferred tax liability associated with unrealized gains on investments is approximately \$41,000,000.

As disclosed in Note 2 to the special-purpose financial statements, the Trust does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with net operating loss carryforwards, net capital loss carryforwards, or cumulative unrealized gains and losses on investments.

#### **6. Insurance Recoveries**

During the years ended December 31, 2018 and 2017, the Trust received insurance recoveries from insurers in the amount of \$47,134,113 and \$50,788,663, respectively. Under the terms of settlement agreements with certain insurance companies, the Trust may be entitled to future insurance recoveries. In accordance with the Trust's accounting policies, such insurance recoveries are recorded as an addition to net assets available for the payment of claims when the funds are received from the insurance companies.

#### **7. Contingent Liabilities**

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust. The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material. The Trust has obtained insurance for purposes of supporting its obligation to indemnify the Trustees.

#### **8. Liability for Asbestos Claims**

The settled but unpaid claims liability at December 31, 2018 and 2017 consists of personal injury claims that were settled and approved for payment by the Trust, but were unpaid as of December 31, 2018 and 2017, respectively. These amounts have been included in settled but unpaid claims in the accompanying special-purpose statements of assets, liabilities and net assets available for the payment of claims and in personal injury claims settled expense in the accompanying special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2018 and 2017.

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are uncertain at this time. The net assets available for the payment of claims at December 31, 2018 and 2017, represent funding available for all Asbestos PI Trust Claims for which no fixed liability has yet been established. The net assets available for the payment of claims at December 31, 2018 and 2017, may or may not be sufficient to meet all future obligations of the Trust.

#### **9. Trust Liability Insurance**

The Trust purchased liability insurance requiring premiums of \$409,719 and \$431,517 the years ended December 31, 2018 and 2017, respectively. The current policy term is from February 3, 2018 to February 3, 2019. The Trust's accounting policy is to expense in the current period any amounts that will not be available to pay future Asbestos PI Trust Claims or expenses of the Trust. Accordingly, \$409,719 and \$431,517 was recorded as a deduction in net assets available for the payment of claims during the years ended December 31, 2018 and 2017, respectively.

**WRG Asbestos PI Trust****Notes to the Special-Purpose Financial Statements****10. Trustees, Trust Advisory Committee, Future Claimants' Representative, and Delaware Claims Processing Facility Board of Managers**

Fees and expenses of the Trustees, Trust Advisory Committee, Future Claimants' Representative and Delaware Claims Processing Facility Board of Managers for the years ended December 31 were as follows:

	2018			
	Fees	Retainer	Expenses	Total
Trustees	\$ 551,111	\$ 190,598	\$ 38,358	\$ 780,067
Future Claimants' Representative	79,848	-	3,882	83,730
Future Claimants' Representative Counsel	41,580	-	947	42,527
Trust Advisory Committee	3,305	-	768	4,073
Trust Advisory Committee Counsel	111,318	-	4,856	116,174
Delaware Claims Processing Facility Board of Managers	83,491	-	-	83,491
	<b>\$ 870,653</b>	<b>\$ 190,598</b>	<b>\$ 48,811</b>	<b>\$ 1,110,062</b>

	2017			
	Fees	Retainer	Expenses	Total
Trustees	\$ 488,772	\$ 186,396	\$ 39,175	\$ 714,343
Future Claimants' Representative	98,236	-	1,868	100,104
Future Claimants' Representative Counsel	77,438	-	1,454	78,892
Trust Advisory Committee	3,320	-	552	3,872
Trust Advisory Committee Counsel	134,670	-	4,843	139,513
Delaware Claims Processing Facility Board of Managers	63,747	-	-	63,747
	<b>\$ 866,183</b>	<b>\$ 186,396</b>	<b>\$ 47,892</b>	<b>\$ 1,100,471</b>

The above amounts are included in operating expenses in the special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2018 and 2017.

**11. Subsequent Events**

The Trust has evaluated its December 31, 2018 special-purpose financial statements for subsequent events through April 22, 2019, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

## **WRG Asbestos PI Trust**

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Supplementary Information  
For the Years Ended December 31, 2018 and 2017



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## Independent Auditor's Report on Supplementary Information

Trustees  
WRG Asbestos PI Trust  
Wilmington, Delaware

Our audit of the special-purpose financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those special-purpose statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

*BDO USA LLP*

April 22, 2019

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## WR Grace Asbestos PI Trust

## Supplementary Schedule of Operating Expenses

<i>Years Ended December 31,</i>	2018	2017
Investment advisory and management fees	\$ 4,221,234	\$ 4,311,231
Legal fees	1,398,305	1,325,425
Accounting fees	1,015,552	680,213
Professional fees	899,739	1,228,884
Trustee fees, retainer, and expenses	780,067	714,343
Trust liability insurance	409,719	431,517
Trust Advisory Committee Counsel fees and expenses	116,174	139,513
Future Claimants' Representative fees and expenses	83,730	100,104
Delaware Claims Processing Facility Board of Managers	83,491	63,747
Administrative fees	49,652	132,665
Future Claimants' Representative Counsel fees and expenses	42,527	78,892
Miscellaneous operating expenses	18,681	23,194
Trust Advisory Committee fees and expenses	4,073	3,872
<b>Total operating expenses</b>	<b>\$ 9,122,944</b>	<b>\$ 9,233,600</b>

*See independent auditor's report on supplementary information.*